

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Springville Township	County Wexford
Fiscal Year End 6-30-06	Opinion Date October 20, 2006	Date Audit Report Submitted to State December 6, 2006	

We affirm that:

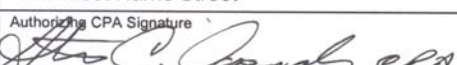
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorized CPA Signature 		Printed Name Steven C. Arends, C.P.A.	License Number 1101013211

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

JUNE 30, 2006

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

JUNE 30, 2006

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MESICK, MICHIGAN

JUNE 30, 2006

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MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of and for the year ended June 30, 2006 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of June 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Springville Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Springville Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$468,160. Of this amount, \$161,268 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$180,080 an increase of \$19,236 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$468,160 at June 30, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Springville Township
Net Assets as of June 30, 2006

	Governmental Activities
Assets	
Current Assets	\$ 189,882
Non Current Assets	
Capital Assets	\$ 490,189
Less: Accumulated Depreciation	(158,283)
Total Non Current Assets	\$ 331,906
Total Assets	\$ 521,788
Liabilities	
Current Liabilities	\$ 20,759
Long-Term Liabilities	32,869
Total Liabilities	\$ 53,628
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 288,080
Restricted for Specific Purposes	18,812
Unrestricted	161,268
Total Net Assets	\$ 468,160
Total Liabilities and Net Assets	\$ 521,788

The most significant portions of the Township's Net Assets are cash investment and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$161,268 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The total net assets of the Township increased by \$23,383 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Springville Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2006

	Governmental Activities
	2006
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 7,815
Operating Grants and Contributions	24,760
Capital Grants and Contributions	10,000
General Revenues	
Taxes	45,601
State Shared Revenue	84,180
Interest Earnings	3,488
Other	3,488
Total Revenues	\$ 179,332
<u>Expenses</u>	
Legislative	\$ 7,383
General Government	26,816
Public Safety	36,319
Public Works	61,988
Community and Economic Development	10,599
Other Functions	11,036
Interest on Long-Term Debt	1,808
Total Expenses	\$ 155,949
Change in Net Assets	\$ 23,383
<u>NET ASSETS</u> - Beginning of Year	444,777
<u>NET ASSETS</u> - End of Year	\$ 468,160
Governmental Activities	

During the fiscal year ended June 30, 2006, the Township's net assets increased by \$23,383 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Springville Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public works expenses that total \$61,988. Public safety represented the next largest expense at \$36,319 followed by general government at \$26,816.

Depreciation expense represents a large portion of the public safety and general government expenses at \$12,000 and \$4,810 respectively.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Springville Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Springville Township's governmental funds reported combined ending fund balances of \$180,080. \$161,268 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$5,920 which brings the fund balance to \$160,723. All of the General Fund's fund balance of \$160,723 unreserved. Tax revenues represented \$45,601. State grant revenues represented \$99,817.

Fire Fund – The Fire Fund increased its fund balance by \$13,152 which brings the fund balance to \$13,662. This balance is reserved and must be used for fire protection.

The Township has contracts with Antioch Township, Hanover Township and Wexford Township for fire protection. This generated \$19,123 in revenues for Springville Township.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Cemetery Perpetual Care Fund – The Cemetery Perpetual Care Fund balance increased its fund balance by \$164 which brings the fund balance to \$5,695. This balance is reserved and must be used for cemetery operations.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2006 amounted to \$331,906 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Springville Township
Capital Assets as of June 30, 2006

	Governmental Activities
Land and Land Improvements	\$ 48,605
Buildings	128,806
Machinery and Equipment	257,995
Infrastructure	54,783
	<hr/> \$ 490,189
Less Accumulated Depreciation	<hr/> (158,283)
Net Capital Assets	<hr/> \$ 331,906 <hr/>

Major capital asset events during the current fiscal year included the following:

- Wedge and chip sealed Old M-37 from 24 Road North to Mesick Village limits at a cost of \$54,783.

Long-Term Debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$43,826. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Springville Township at P.O. Box 413, Mesick, Michigan 49668.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 162,398
Due from Other Governments	27,484
	<hr/>
Total Current Assets	\$ 189,882
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 48,605
Buildings	128,806
Machinery and Equipment	257,995
Infrastructure	54,783
	<hr/>
	\$ 490,189
Less Accumulated Depreciation	158,283
Net Capital Assets	<hr/>
	\$ 331,906
	<hr/>
TOTAL ASSETS	<hr/>
	\$ 521,788
	<hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 7,592
Payroll Taxes Payable	2,210
Current Portion of Long-Term Liabilities	10,957
	<hr/>
Total Current Liabilities	\$ 20,759
	<hr/>
<u>NONCURRENT LIABILITIES</u>	
Bond Payable - Road Construction (Net of Current Portion)	32,869
	<hr/>
Total Liabilities	<hr/>
	\$ 53,628
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 288,080
Restricted for Public Safety	13,662
Restricted for Cemetery Perpetual Care	5,150
Unrestricted	161,268
	<hr/>
TOTAL NET ASSETS	<hr/>
	\$ 468,160
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/>
	\$ 521,788
	<hr/>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES
					AND CHANGE IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 7,383	\$ 0	\$ 0	\$ 0	\$ (7,383)
General Government	26,816	4,815	0	10,000	(12,001)
Public Safety	36,319	600	19,123	0	(16,596)
Public Works	61,988	0	5,637	0	(56,351)
Community and Economic Development	10,599	2,400	0	0	(8,199)
Other Functions	11,036	0	0	0	(11,036)
Interest on Long-Term Debt	1,808	0	0	0	(1,808)
Total	\$ 155,949	\$ 7,815	\$ 24,760	\$ 10,000	\$ (113,374)
GENERAL REVENUES					
Taxes					\$ 45,601
State Shared Revenue					84,180
Interest Earnings					3,488
Other					3,488
Total General Revenues					\$ 136,757
Change in Net Assets					\$ 23,383
NET ASSETS - Beginning of Year					444,777
NET ASSETS - End of Year					\$ 468,160

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2006

	GENERAL FUND	FIRE FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 143,041	\$ 13,662	\$ 5,695	\$ 162,398
Due from Other Governments	27,484	0	0	27,484
TOTAL ASSETS	<u>\$ 170,525</u>	<u>\$ 13,662</u>	<u>\$ 5,695</u>	<u>\$ 189,882</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,592	\$ 0	\$ 0	\$ 7,592
Payroll Taxes Payable	2,210	0	0	2,210
Total Liabilities	<u>\$ 9,802</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,802</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Fire Protection	\$ 0	\$ 13,662	\$ 0	\$ 13,662
Cemetery Perpetual Care	0	0	5,150	5,150
Unreserved				
Designated for Cemetery Operations	0	0	545	545
Undesignated	160,723	0	0	160,723
Total Fund Balance	<u>\$ 160,723</u>	<u>\$ 13,662</u>	<u>\$ 5,695</u>	<u>\$ 180,080</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 170,525</u>	 <u>\$ 13,662</u>	 <u>\$ 5,695</u>	 <u>\$ 189,882</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balance for Governmental Funds	\$ 180,080
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 48,605		
Buildings	128,806		
Machinery and Equipment	257,995		
Infrastructure	54,783		
Accumulated Depreciation	<u>(158,283)</u>		331,906

Long-term liabilities and accrued interest are not due and payable in
the current term and are not reported in the funds.

Bond Payable - Road Construction	<u>(43,826)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 468,160</u></u>
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The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	FIRE FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 45,601	\$ 0	\$ 0	\$ 45,601
Licenses and Permits	2,400	0	0	2,400
Contributions from Other Local Units	0	19,123	0	19,123
State Grants	99,817	0	0	99,817
Charges for Services	4,815	600	0	5,415
Interest and Rents	3,035	289	164	3,488
Other Revenues	3,483	5	0	3,488
Total Revenues	<u>\$ 159,151</u>	<u>\$ 20,017</u>	<u>\$ 164</u>	<u>\$ 179,332</u>
<u>EXPENDITURES</u>				
Legislative	\$ 7,383	\$ 0	\$ 0	\$ 7,383
General Government	86,789	0	0	86,789
Public Safety	0	24,319	0	24,319
Public Works	61,988	0	0	61,988
Community and Economic Development	10,599	0	0	10,599
Other Functions	11,036	0	0	11,036
Debt Service	12,765	0	0	12,765
Total Expenditures	<u>\$ 190,560</u>	<u>\$ 24,319</u>	<u>\$ 0</u>	<u>\$ 214,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,409)</u>	<u>\$ (4,302)</u>	<u>\$ 164</u>	<u>\$ (35,547)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond Proceeds	\$ 54,783	\$ 0	\$ 0	\$ 54,783
Transfers In (Out)	(17,454)	17,454	0	0
Total Other Financing Sources (Uses)	<u>\$ 37,329</u>	<u>\$ 17,454</u>	<u>\$ 0</u>	<u>\$ 54,783</u>
Net Change in Fund Balance	<u>\$ 5,920</u>	<u>\$ 13,152</u>	<u>\$ 164</u>	<u>\$ 19,236</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>154,803</u>	<u>510</u>	<u>5,531</u>	<u>160,844</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 160,723</u>	<u>\$ 13,662</u>	<u>\$ 5,695</u>	<u>\$ 180,080</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 19,236
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(16,810)
Capital Outlay	64,783
Bond Proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets.	(54,783)
Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities.	<u>10,957</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 23,383</u></u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 11,121</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Governments	\$ 11,121
<u>NET ASSETS</u>	<u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,121</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Springville Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Springville Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Cemetery Perpetual Care Fund* accounts for receipts from the sale of cemetery lots, the principal of which is an endowment, and the interest earnings are used for cemetery operations.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Additionally Springville Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) State statutes authorize the Township to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

- (g) In mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
- i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund received collateral all times equal to at least 100% of the value of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (1) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Springville Township totaled \$32,638,928, on which ad valorem taxes levied consisted of 0.9830 mills for Springville Township operating purposes. The levy raised approximately \$32,076 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	15
Buildings	50
Building improvements	20
Public domain infrastructure	20
System infrastructure	20
Vehicles	10
Machinery and equipment	5-10

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on a basis consistent with generally accepted accounting principles. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on May 16, 2005 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund	\$ 149,795	\$ 190,560

This overage was funded by available fund balance and bond proceeds.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank in Mesick, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$40,090 of the government's bank balance of \$173,648 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables and Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 45,000	\$ 0	\$ 0	\$ 45,000
Capital assets, being depreciated				
Land Improvements	\$ 3,605	\$ 0	\$ 0	\$ 3,605
Buildings	128,806	0	0	128,806
Machinery and equipment	247,995	10,000	0	257,995
Infrastructure	0	54,783	0	54,783
Total capital assets, being depreciated	\$380,406	\$ 64,783	\$ 0	\$445,189
Less accumulated depreciation for:				
Land Improvements	\$ 541	\$ 180	\$ 0	\$ 721
Buildings	6,937	2,576	0	9,513
Machinery and equipment	133,995	12,000	0	145,995
Infrastructure	0	2,054	0	2,054
Total accumulated depreciation	\$141,473	\$ 16,810	\$ 0	\$158,283
Total capital assets, being depreciated, net	\$238,933	\$ 47,973	\$ 0	\$286,906
Governmental activities capital assets, net	\$283,933	\$ 47,973	\$ 0	\$331,906

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 4,810
Public Safety	12,000
Total depreciation expense - governmental activities	<u>\$ 16,810</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2006.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at June 30, 2006.

Interfund Transfers as of June 30, 2006, were:

	TRANSFERS	
	IN	OUT
General Fund	\$ 0	\$ 17,454
Fire Fund	17,454	0
	<u>\$ 17,454</u>	<u>\$ 17,454</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Springville for the year ended June 30, 2006.

Long-Term Debt Payable	
At July 1, 2005	\$ 0
Debt Incurred	54,783
Debt Retired	<u>(10,957)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2006	<u>\$ 43,826</u>
Due within one year	<u>\$ 10,957</u>

Debt payable at June 30, 2006 consisted of the following:

Road Construction Bond	
\$54,783 payable to Wexford County Road Commission due in varying annual installments of \$11,340 to \$12,425 through June 25, 2010. Interest at 3.35% to 3.50%.	<u>\$ 43,826</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The annual requirements to amortize the debt outstanding as of June 30, 2006 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 10,957	\$ 1,468	\$ 12,425
2008	10,957	1,117	12,074
2009	10,956	757	11,713
2010	10,956	384	11,340
	<u>\$ 43,826</u>	<u>\$ 3,726</u>	<u>\$ 47,552</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Fire Fund

Fire Protection \$ 13,662

Cemetery Fund

Cemetery Endowments 5,150

Total Fund Balance/Net Assets Reserves \$ 18,812

Designated

Cemetery Fund

Cemetery Operations 545

TOTAL FUND BALANCE RESERVES AND DESIGNATIONS \$ 19,357

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 62,651	\$ 62,651	\$ 45,601	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,000	3,000	2,400	0	0	0
Contributions from Other Local Units	0	0	0	19,123	19,123	19,123
State Grants	88,850	88,850	99,817	0	0	0
Charges for Services	1,800	1,800	4,815	1,000	1,000	600
Interest and Rents	600	600	3,035	250	250	289
Other Revenues	12,050	12,050	3,483	400	400	5
Total Revenues	\$ 168,951	\$ 168,951	\$ 159,151	\$ 20,773	\$ 20,773	\$ 20,017
<u>EXPENDITURES</u>						
Legislative	\$ 8,100	\$ 8,100	\$ 7,383	\$ 0	\$ 0	\$ 0
General Government	81,360	81,360	86,789	0	0	0
Public Safety	0	0	0	31,978	31,978	24,319
Public Works	5,500	5,500	61,988	0	0	0
Community and Economic Development	10,235	10,235	10,599	0	0	0
Other Functions	44,600	44,600	11,036	0	0	0
Debt Service	0	0	12,765	0	0	0
Total Expenditures	\$ 149,795	\$ 149,795	\$ 190,560	\$ 31,978	\$ 31,978	\$ 24,319
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,156	\$ 19,156	\$ (31,409)	\$ (11,205)	\$ (11,205)	\$ (4,302)
<u>OTHER FINANCING SOURCES (USES)</u>						
Bond Proceeds	\$ 0	\$ 0	\$ 54,783	\$ 0	\$ 0	\$ 0
Transfer In (Out)	(16,562)	(16,562)	(17,454)	16,561	16,561	17,454
Total Other Financing Sources (Uses)	\$ (16,562)	\$ (16,562)	\$ 37,329	\$ 16,561	\$ 16,561	\$ 17,454
Net Change in Fund Balance	\$ 2,594	\$ 2,594	\$ 5,920	\$ 5,356	\$ 5,356	\$ 13,152
<u>FUND BALANCE</u> - Beginning of Year	0	0	154,803	0	0	510
<u>FUND BALANCE</u> - End of Year	\$ 2,594	\$ 2,594	\$ 160,723	\$ 5,356	\$ 5,356	\$ 13,662

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
BALANCE SHEET

JUNE 30, 2006

ASSETS

Cash	\$ 143,041
Due from Other Governments	
State of Michigan	<u>27,484</u>
 TOTAL ASSETS	 <u><u>\$ 170,525</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 7,592
Payroll Taxes Payable	<u>2,210</u>
 Total Liabilities	 \$ 9,802

FUND BALANCE

Unreserved	<u>160,723</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 170,525</u></u>
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 62,651	\$ 62,651	\$ 45,601
Licenses and Permits	3,000	3,000	2,400
State Grants	88,850	88,850	99,817
Charges for Services	1,800	1,800	4,815
Interest and Rents	600	600	3,035
Other Revenue	12,050	12,050	3,483
Total Revenues	\$ 168,951	\$ 168,951	\$ 159,151
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 8,100	\$ 8,100	\$ 7,383
General Government			
Supervisor	10,350	10,350	9,794
Assessor	17,350	17,350	18,949
Elections	3,700	3,700	10,880
Clerk	11,630	11,630	10,333
Board of Review	1,080	1,080	609
Treasurer	17,950	17,950	16,536
Building and Grounds	3,450	3,450	3,184
Cemetery	15,850	15,850	16,504
Public Works	5,500	5,500	61,988
Community and Economic Development	10,235	10,235	10,599
Other Functions	44,600	44,600	11,036
Debt Service			
Principal	0	0	10,957
Interest	0	0	1,808
Total Expenditures	\$ 149,795	\$ 149,795	\$ 190,560
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,156	\$ 19,156	\$ (31,409)
<u>OTHER FINANCING SOURCES (USES)</u>			
Bond Proceeds	0	0	54,783
Transfers Out - Fire Fund	(16,562)	(16,562)	(17,454)
Net Change in Fund Balance	\$ 2,594	\$ 2,594	\$ 5,920
<u>FUND BALANCE</u> - Beginning of Year	0	0	154,803
<u>FUND BALANCE</u> - End of Year	\$ 2,594	\$ 2,594	\$ 160,723

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
BALANCE SHEET

JUNE 30, 2006

ASSETS

Cash	\$ 13,662
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 0
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FUND BALANCE

Reserved for Fire Protection	13,662
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TOTAL LIABILITIES AND FUND BALANCE	\$ 13,662
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
<u>REVENUES</u>			
Contributions from Other Local Units			
Antioch Township	\$ 9,261	\$ 9,261	\$ 9,261
Hanover Township	3,174	3,174	3,174
Wexford Township	6,688	6,688	6,688
Charges for Services			
Fire Runs	1,000	1,000	600
Interest and Rents			
Interest	250	250	289
Other Revenue			
Contributions and Donations	200	200	0
Miscellaneous	200	200	5
Total Revenues	\$ 20,773	\$ 20,773	\$ 20,017
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Personal Services			
Salaries and Wages	\$ 3,600	\$ 3,600	\$ 3,600
Employee Benefits			
Social Security Expense	224	224	223
Medicare Expense	54	54	53
Supplies			
Office Supplies	500	500	72
Operating Supplies	2,000	2,000	1,288
Gas and Oil	1,100	1,100	964
Other Services and Charges			
Contracted Services	1,200	1,200	930
Volunteers - Clothing Allowance	3,500	3,500	1,907
Communications	900	900	724
Transportation	100	100	57
Utilities	1,600	1,600	1,344
Printing and Publishing	50	50	26
Insurance	10,000	10,000	9,911

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Repair and Maintenance	1,500	1,500	1,485
Education and Training	1,500	1,500	1,200
Miscellaneous	150	150	535
Capital Outlay			
Equipment	4,000	4,000	0
Total Expenditures	\$ 31,978	\$ 31,978	\$ 24,319
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,205)	\$ (11,205)	\$ (4,302)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In - General Fund	16,561	16,561	17,454
Net Change in Fund Balance	\$ 5,356	\$ 5,356	\$ 13,152
<u>FUND BALANCE</u> - Beginning of Year	0	0	510
<u>FUND BALANCE</u> - End of Year	\$ 5,356	\$ 5,356	\$ 13,662

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY PERPETUAL CARE FUND

BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 5,695
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<u>\$ 0</u>
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FUND BALANCE

Reserved for Endowments	\$ 5,150
Unreserved, Designated for Cemetery Operations	<u>545</u>

Total Fund Balance	<u>\$ 5,695</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,695</u></u>
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY PERPETUAL CARE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

REVENUES

Interest and Rents
Interest

\$ 164

EXPENDITURES

0

Excess (Deficiency) of Revenues Over Expenditures

\$ 164

FUND BALANCE - Beginning of Year

5,531

FUND BALANCE - End of Year

\$ 5,695

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<hr/>				
<u>ASSETS</u>				
Cash	\$ 14,958	\$ 2,092,004	\$ 2,095,841	\$ 11,121
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 49,157	\$ 49,157	\$ 0
Due to Other Organizations and Individuals	0	1,363	1,363	0
Due to Other Governments	14,958	994,023	997,860	11,121
<hr/>				
Total Liabilities	\$ 14,958	\$ 1,044,543	\$ 1,048,380	\$ 11,121
<hr/>				

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF 2005 TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County			
County Taxes	\$	330,696	
State Education Tax		195,828	
Township		32,076	
School			
Mesick Consolidated Schools		446,978	
Intermediate School			
Wexford-Missaukee		<u>194,566</u>	\$ 1,200,144

TAXES COLLECTED

County			
County Taxes	\$	276,816	
State Education Tax		171,970	
Township		26,342	
School			
Mesick Consolidated Schools		382,803	
Intermediate School			
Wexford-Missaukee		<u>159,780</u>	1,017,711

TAXES RETURNED DELINQUENT

County			
County Taxes	\$	53,880	
State Education Tax		23,858	
Township		5,734	
School			
Mesick Consolidated Schools		64,175	
Intermediate School			
Wexford-Missaukee		<u>34,786</u>	<u>\$ 182,433</u>

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

As a result of our audit of the financial statements of Springville Township for the year ended June 30, 2006 we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- (1) The expenditures for the General Fund exceeded the budget. In the future, the budget should be amended before disbursements are made which exceed budgeted amounts. All budget amendments should be a resolution of the board and recorded in the minutes.

Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$5,000. We have provided an appropriate sample policy for the board to consider for adoption.

Investment Policy

Public Act 196 of 1997 became effective on December 30, 1997. It required local units of government to adopt an investment policy. The new law requires the policy to provide a statement of purpose, a delegation of authority to make investments, a list of authorized investment instruments, and to provide procedures for safekeeping of assets. We suggest that the Township adopt a policy as soon as possible to comply with Public Act 196.

Current Tax Collection Fund

As of June 30, 2006, a balance remained in the Current Tax Collection Fund. We have met with the township treasurer and have communicated the payout of the commercial forest tax, industrial facilities tax and the remaining balance in this fund.

Documentation and Approval of Reimbursements

Because of the inherent weakness in internal control, as noted in our letter of reportable conditions, it is extremely important that when approving township bills for payment, the township board members ask questions and examine documentation before approving bills for payment.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Springville Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions or need assistance relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

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CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

In planning and performing our audit of the basic financial statements of Springville Township, Wexford County, Mesick, Michigan for the year ended June 30, 2006 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.